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DIRECTORATE OF INTELLIGENCE

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Management Education Under Gorbachev:
The Soviets in Search of Excellence?

Summary

Mikhail Gorbachev's efforts to expand the economic role of enterprise managers have underscored the importance of their training. As economists such as Abel Aganbegyan have pointed out, however, the Soviet educational system is poorly equipped to prepare the managers for the new role required of them. Except in a handful of elite institutions, the training provided to current and prospective Soviet managers is narrowly specialized and mostly technical. There is little emphasis on economics, finance, or the motivational and decision-making methods taught in Western business schools.

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Although the improvement of managerial training might seem likely to enjoy broad support, the obstacles to improvement are formidable. The economic ministries which fund and operate

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most of the training programs have historically been preoccupied with meeting annual economic plans and reluctant to devote resources to programs that will yield positive results only in the long term. Bureaucratic self-interest is likely to increase the ministries' reluctance to sponsor training that might contribute to the rise of a cadre of highly skilled, independent managers who might seek additional decision-making autonomy at their expense. Party ideologists have expressed concern that training which contributes to the rise of a managerial elite might be incompatible with socialist egalitarianism and that Western management science concepts are fundamentally at odds with Marxism.

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Despite the problems in his path, Gorbachev has already taken a modest step to improve the management training system, instructing the Soviet Union's most prestigious management training organization -- the Academy of the National Economy-- to take the lead in developing curricula and courses for all postgraduate training programs. Gorbachev has also pledged that broadening the training provided to managerial personnel will enjoy a high priority during the 1986-1990 Five Year Plan.

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Gorbachev's current political momentum enhances the prospects that he will succeed in fulfilling his commitment to upgrade the qualifications of managerial personnel. His chances for translating improvements in training into improved economic performance, however, are far more uncertain. Soviet experience with management training suggests that improving curricula and increasing the number of broadly trained personnel are unlikely to be effective as stand-alone measures. Changes in the organization and power of the ministerial apparatus and in the system of managerial incentives and decision making are also needed if the bureaucracy is to be prevented from stifling the initiative of newly trained executives and the executives themselves prevented from reverting to traditional patterns. Gorbachev has publicly committed himself to making such changes, but it remains to be seen how far he is willing or able to go.

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**Management Education under Gorbachev:
The Soviets in Search of Excellence?**

Gorbachev's Plans for Enterprise Management

General Secretary Mikhail Gorbachev has frequently stated that expanding the enterprise director's role in the management and planning system is crucial to the success of his efforts to improve Soviet economic performance. In a system in which economic power is concentrated in the hands of Moscow-based ministers and central planners, achieving this goal is a formidable political problem. At the same time, as influential Soviet economists have acknowledged, it is also a problem of management training, for enterprise managers are currently poorly qualified to assume the role required of them. In an interview in Izvestiya in March 1985, for example, the economist Abel Aganbegyan, a reported advisor to Gorbachev, described the typical enterprise director as a man with outdated and narrow technical training, little direct experience with computers and other modern management tools, and scant acquaintance with the motivational and decision-making techniques employed by his Western counterparts. []

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Soviet Management Education: An Underdeveloped Sector

The situation which Aganbegyan described has resulted in large part from the Soviets' historical neglect of management education. From the days of the first five-year plans until the mid-1960s this neglect was all but total-- the educational system concentrated on supplying the economy with technical specialists, especially engineers, and left the development of managerial skills to informal on-the-job training. Since 1965, with the enactment of the Kosygin reforms, the regime's efforts to improve the management of the economy have been accompanied by moves to remedy this neglect. In particular, in 1967 a USSR Council of Ministers decree established a postgraduate advanced training system that was designed to broaden and deepen the qualifications of managerial and technical personnel by providing instruction in economics, management science, computer technology and planning techniques as well as in technical specialties. Although a small number of widely acclaimed centers of management training were subsequently established (see box "The Soviet Union's Elite Management Programs"), Soviet management education remains an underdeveloped field. []

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Undergraduate Training. The development of undergraduate management education was not a goal of the 1967 decree. Aside from the establishment of the elite Ordzhonikidze Management Institute little has been done at this level in the years since. The small number of undergraduates in the 20 or so higher

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The Soviet Union's Elite Management Programs

In the judgement of both Western scholars and Soviet commentators, the USSR's most successful management training programs are those of the Academy of the National Economy (ANKh) and the Ordzhonikidze Management Institute, both in Moscow. Similar quality, but much briefer management education is provided by about eight Republic-level advanced training institutes and by about 20 special departments attached to higher educational institutions (vuzy). [redacted]

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The ANKh, founded in 1978 and subordinate to the USSR Council of Ministers, offers the Soviet Union's most prestigious management training program. Its 200 students are drawn from the ranks of the most promising ministerial officials and the leading personnel of the USSR's largest industrial firms and 80 percent of them are promoted upon graduation from the two-year program. According to the Soviet press, by 1983 about 10 percent of its alumni had been appointed either Deputy Ministers of the USSR or Ministers and Deputy Ministers of Union Republics. [redacted]

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The Ordzhonikidze Management Institute, founded in 1974, is the only Soviet undergraduate institution preparing students to become management consultants, many of whom go on to become managers. During their five-year program, the institute's 11,500 students study engineering specialties as well as computer and management courses. Press reports indicate that the institute's students are in great demand, each upon graduation receiving two to three job offers from various ministries. [redacted]

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Though shorter than the programs of ANKh and Ordzhonikidze, the programs of the special vuzy departments and republic-level institutes often offer at least two-three months of full-time managerial training. Together they educate perhaps as many as 15,000 technical specialists and managers each year. [redacted]

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The group of elite programs stand apart from the rest of the training system for several reasons. First, they have the material resources necessary to conduct effective training. They have modern facilities and computers, and libraries stocked with Western management literature. They also employ many highly-qualified teachers, some of whom have studied in the West. Members of the Council of Ministers often lecture at the ANKh. [redacted]

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Second, these programs have broadly-focused curricula. The trainees study planning and finance, the economics of industry branches, and information processing, as well as management psychology, foreign management experience, and managerial decision making. [redacted]

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Third, the programs employ "active methods of instruction." At the ANKh computer work occupies at least 20 percent of study time. Lectures take up no more than 40 percent. These programs replace them with diversified case studies, role playing, computer-based business games, etc. [REDACTED]

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educational institutions (vuzy) with postgraduate management programs evidently have some access to courses and teaching methods developed for upwardly mobile executives, but for the vast majority of Soviet undergraduates headed for employment in industry, narrowly specialized training is the rule. The Soviet press has reported, for example, that in 1977 only 2 to 4 percent of study time in engineering vuzy was being devoted to either economics or management science. To judge from Soviet commentary on undergraduate curricula, this percentage has not increased much in the decade since. Although about 12 percent of Soviet undergraduates receive instruction in economics and related disciplines, their training is heavily theoretical and narrowly-focused, and few of the students go on to become managers. [REDACTED]

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Postgraduate Training. At the postgraduate level the regime has devoted greater effort to management training, but reports in the Soviet media suggest that both the quality and quantity of management training have fallen short of the goals that have been established. According to a 1977 Central Committee decree, for example, every member of the Soviet work force classified as either a manager or a specialist* is supposed to attend a training program at least once every six years. Information derived from Soviet statistics suggest, however, that annually only about three to five percent of all industrial managers and roughly six percent of all specialists employed in the national economy (excluding teachers and lawyers) actually attend such programs. [REDACTED]

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Of those who study in the postgraduate system, more than 70 percent get their training by attending part-time courses which are sponsored by the economic ministries and offered at enterprises and other industrial facilities. Over the years there have been many references in the Soviet press to the inadequacy of these courses. For example, most of the instructors are not professional educators, but rather technical specialists who work for the enterprise in which the course is taught. Even when competent and dedicated instructors are available, the amount of instruction time-- two or three lectures a month for up to three months-- is generally too little to allow for more than pro forma training. In the judgment of

*Specialists are usually graduates of vuzy or specialized secondary schools and represent the pool of future managers. They are engineers, economists, planners, accountants, etc., but they do not have formal supervisory responsibilities. Nevertheless, the large majority of them play significant roles in the management processes of businesses. [REDACTED]

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an American scholar who has reviewed these courses, they are not effective vehicles for managerial training. [redacted]

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According to Soviet and Western commentators, better management training is available in the programs offered by the 65 or so ministry and state committee advanced training institutes or one of their approximately 100 branch affiliates. About 20 percent of those enrolled in postgraduate management training attend such programs (more than half on a full-time basis) which usually run 1-2 months.

[redacted]

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Despite the reported superiority of these programs to the courses offered in industrial facilities, Soviet press reports and Soviet scholars indicate that the training programs have several weaknesses. First, for many of the institutes adequate facilities and teaching staffs are not available. By the late seventies less than 40 percent of the institutes possessed their own study facilities. Today many of them are probably still located in rented school buildings or tekhnikumy. Moreover, most of the approximately 26,000 instructors teaching in the institutes and branches are narrow technical specialists. One Soviet report indicates that in the late 1970s, only 1700 (6 percent) were employed on a full-time basis. [redacted]

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Second, most ministry institutes devote only a small portion of study time to management science and economics. Instead, they focus their instruction on technical problems and developments particular to their own branch of industry. An American student of Soviet management education has concluded that only a few industrial ministries (such as the Ministry of the Shipbuilding Industry, the Ministry of Tractor and Agricultural Machine-building, and the Ministry of the Construction Materials Industry) have both well-equipped training institutes and study programs that emphasize management science in addition to technical instruction. In these few programs management and economics can occupy up to 50 percent of study time for managers, but even then, in most cases the training is primarily in quantitative disciplines, such as the economics of particular industries, statistics, finance, and mathematical methods of planning. Courses on management psychology, decision-making methods, and personnel policy are less common. [redacted]

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Third, institutes and their branch affiliates do not make use of so-called "active methods of instruction", i.e. case study problems, role playing, independent projects, and computer-based business games, which simulate the real-life management world and serve as means for applying theories and concepts learned. Instead, programs are taught primarily through lectures. Soviet press reports suggest that by 1982 only about 40 percent of the institutes were making any use of business games and less than half of those were using them regularly in the teaching process. [redacted]

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Obstacles to Development

The generally sorry state of Soviet management training arises from several causes. The preoccupation of the economic ministries with meeting short-term production targets is probably the most important of these; the economic system measures success in terms of annual plan fulfillment, giving ministry officials little incentive to devote resources to programs that will yield positive results only in the long term. The ministries' reluctance to invest in management training is compounded by the fact that production output rather than efficiency and quality remains the primary criterion for judging plan fulfillment; therefore, even when Ministry officials send managers for training, they prefer that it focus on improving technical rather than managerial skills. []

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Bureaucratic self-interest may also have dissuaded ministry and party officials from supporting management training programs, which might contribute to the rise of a cadre of highly skilled, independent managers. Such a cadre might seek additional decision-making authority at ministerial expense. And the "new" managers might pose a political challenge to the party, though evidence suggests that managers appear to be accepting of the party's special role. For example, an American student at one of the leading programs, reported that when one class of trainees was asked to rank the qualities of the ideal director as part of a class exercise, nearly everyone agreed that loyalty to the party was most important. When one student tried to give his first priority to professional competence he was swiftly corrected by the others. []

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Ideological barriers have evidently also slowed the development of Soviet management training. Even Gavriil Popov, a leading Soviet management scientist and long-time advocate of managerial training, has publicly expressed the concern that a training system which contributed to the rise of a managerial elite would be incompatible with socialist egalitarianism. In addition, many Soviet ideologists have expressed open distrust of the Western conception of management science, which they have depicted as being at odds with Marxist political economy. []

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Mikhail Gorbachev's Impact

Even before becoming General Secretary, Gorbachev had spoken out on the need to broaden the training provided to current and future managers. In a speech in February 1985, for example, he emphasized that undergraduates as well as cadres already working in the economy must be given formal training in economics and taught to think and act competently in economic terms. Given the broad connotation of economics in Soviet parlance, his speech appears to be a call for expanded training in accounting, finance, statistics, planning, and other subjects generally labeled as business administration or management in American schools. []

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Gorbachev himself returned to the issue of training in another speech in June 1985, pledging that broadening the qualifications of managers and engineers would enjoy high priority in his economic program. The basic guidelines for the 1986-90 Five Year Plan released in March 1986 explicitly reaffirmed this promise by specifying that "the system for training economic leader and specialist cadres...is to be improved" and that training should focus on preparing managers "who possess not only modern scientific, technical, and economic knowledge but also broad horizons, organizational capabilities, and the ability to resolve tasks first and foremost from the viewpoint of statewide interests." [redacted]

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Further evidence of Gorbachev's commitment to management training is [redacted] that two of its leading Soviet advocates, Aganbegyan and Dzhermen Gvishiani, deputy chairman of Gosplan, are serving as his informal economic advisors. In a recent press article Aganbegyan stressed the inadequacy of the current training system and called for the widespread adoption of the active methods of instruction used extensively only in the few exceptional programs. Gvishiani has long been interested in selectively adopting Western management methods and increasing the number of U.S.-Soviet student exchange programs in business management. He was personally involved in the founding of the Institute of Management of the National Economy (IUNKh), the predecessor of the ANKh which now functions as a component of that body and offers one to three month refresher courses to top-level ministry officials. [redacted]

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[redacted] Gorbachev's ally Premier Nikolay Ryzhkov also has spoken out on behalf of improving management training. In June 1985 in an address to the graduates of the ANKh, the then Central Committee secretary stressed that tens of thousands of highly qualified managers were needed to meet the economy's requirements and that a broad and effective training system had to be created. [redacted]

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Gorbachev has already taken a modest step toward improving management training. In August 1985 the Soviet press reported that in conformity with Central Committee decrees, the ANKh was being converted into a scientific methods center for the entire advanced training system of vuzy faculties, and republic and ministry institutes. Henceforth, all the rectors and department heads of Ministry and Republic advanced training institutes and special vuz departments will study at the ANKh and in theory at least will be able to introduce the teaching methods and textbooks now being used at the ANKh into their own programs. Though the ANKh is over seven years old, this will probably mark the first time it has attempted to effect changes in the rest of the training system. Its prospects for success are strengthened by the fact that it is attached to the Council of Ministers; hence, its recommendations should carry great weight with the economic ministries. The ANKh's new undertaking also suggests that in the short term, improvements in the quality of Soviet management instructors will come through retraining. [redacted]

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A Soviet contact also recently told U.S. Embassy personnel that the leadership is considering a reform of the higher education system for engineers which, while narrowing the training provided to most undergraduates, would apparently broaden that provided to the most successful students. [] 80 percent of engineering students will have their term of study shortened to three and a half years--it is currently about five--and would move into jobs in "direct production" as highly skilled technicians. The other 20 percent would complete five years of study, and would be given training that would qualify them for employment in planning and project management rather than for work on the shop floor. Such a move would be consistent with Gorbachev's call for rapid progress on the technological front as well as with his commitment to providing improved management training. The 'elitist' nature of the reform described, however, would make it a highly controversial move. Rather than downgrade the status of large numbers of students, Gorbachev is more likely to pursue a less controversial approach--broadening the training provided to all engineering students or creating additional management training schools modelled after the Ordzhonikidze Management Institute. []

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Prospects and Implications

Whatever the specifics of Gorbachev's approach, the General Secretary's current political momentum and his commitment to upgrading the qualifications of managerial personnel enhance the prospects that he will succeed in improving the management training system. Gorbachev's prospects for translating improvements in training into improved economic performance, however, are probably far more uncertain. Though one might expect better trained managers to effect large increases in labor productivity and large reductions in production costs, the Soviets' own commentary on the experience of the best trained managers suggests that in the absence of significant changes in the environment in which the managers must operate, i.e., in the economic system itself, the impact of improved training is small. []

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A clear illustration of the limited impact that training programs have had is provided by the reports of Soviet scholars on the number of course projects by management students that are put into practice. The top Soviet management programs require each student to produce a paper detailing his solution to a current problem at his firm. These projects are intended to be more than academic exercises, but few are approved by supervisors for implementation. For example, at the management faculty of the Leningrad Engineering-Economics Institute only 10 percent of course projects are ever put into practice. []

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[] the disparity between what is taught at the management institutes and actual conditions in Soviet firms frequently gives rise to managerial cynicism. [] for example, at the IUNKh a major theme of the program was that automated systems of control (ASU) were the wave of the future. This theme stressed that computers should be used for management decisions as well as for industrial process control; however, this

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emphasis on computers in management reportedly fell on deaf ears. The class felt that it was difficult to get excited about this topic when it was irrelevant to the real problems faced every day by senior managers, such as obtaining raw materials to meet tight production targets. [redacted]

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Soviet writings on management science also suggest that the pressures of the real world environment often lead managers to disregard the precepts of the training institutes and revert to traditional approaches to their assignments. For example, one American scholar reports that although the leading programs teach managers that important decisions should be made on the basis of rational discussion of alternative courses of action, Soviet research into decision-making patterns in Soviet industry conducted during the late 1970's indicates that "executives very rarely use the multi-variant method," and "in the majority of cases enterprise and association managers prepare only one variant of a draft decision." Though textbooks employed in the leading programs point to the need for managers to confer extensively with subordinates when making decisions, this same research has found that "many directors of enterprises, and also shop heads and foremen, feel that their superiors rarely confer with them in preparing decisions and do not take into account the specifics of their work." [redacted]

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To describe such problems is not to suggest that Gorbachev will be unable to resolve them. The progress that the General Secretary has already made in consolidating his political power suggests that his abilities and determination to achieve his goals exceed those of his recent predecessors. Previous Soviet experience with management training suggests, however, that improving curricula and increasing the number of broadly trained personnel are unlikely to be effective as stand-alone measures. Changes in the organization and power of the ministerial apparatus and in the system of managerial incentives and decision making are also needed if the bureaucracy is to be prevented from stifling the initiative of newly trained executives and the executives themselves prevented from reverting to traditional patterns. Gorbachev has publicly committed himself to making such changes, but it remains to be seen how far he is willing or able to go. [redacted]

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